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July 1, 2005

VIA HAND DELIVERY

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Suite 4700
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The Honorable Ron Jones
Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

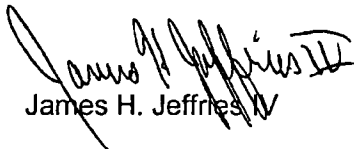
Re: Nashville Gas Company, A Division of Piedmont Natural Gas Company, Inc. –
Docket No. 05-00046

Dear Chairman Jones:

I have enclosed an original and 14 copies of the Notice of Oral Presentation and Additional Comments of Nashville Gas Company in the above-captioned docket. Please accept the original and 13 copies for filing and return one "filed-stamped" copy to my courier.

Thank you for your assistance with this matter. If you have any questions regarding these comments you may reach me at the number shown above.

Sincerely,


James H. Jeffries IV

JHJ/bao

Enclosure

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE)	
)	
GENERIC DOCKET FOR THE PURPOSE)	
OF EXAMINING TRA RULES, POLICIES)	Docket No. 05-00046
AND PROCEDURES IN LIGHT OF)	
CURRENT TRENDS IN GAS INDUSTRIES)	

**NOTICE OF ORAL PRESENTATION AND
ADDITIONAL COMMENTS OF NASHVILLE GAS COMPANY**

Nashville Gas Company, a Division of Piedmont Natural Gas Company, Inc. ("Nashville Gas" or the "Company"), through counsel and pursuant to the *Notice of Meeting Addressing Procedural Issues* issued by the Tennessee Regulatory Authority (the "Authority" or the "TRA") on June 13, 2005, respectfully submits the following notice and additional comments in the above-captioned docket.

NOTICE OF ORAL PRESENTATION

Nashville Gas hereby provides notice to the Authority that the Company's undersigned counsel intends to make a brief oral presentation at the meeting scheduled in this proceeding for July 18, 2005 on the subjects of: (1) proposed refinements to the Authority's PGA procedures and rules; and (2) proposed refinements to the practices and procedures applicable to cases in which Staff takes an active role.

ADDITIONAL COMMENTS

Nashville Gas respectfully submits the following additional comments in this proceeding. These comments focus on the two issues identified above – modifications to the Authority's PGA rules and refinements to the practices and procedures applicable to cases in which Staff takes an active role. The purpose of these additional comments is to provide clarification of Nashville Gas' position on the matters listed above.

I. MODIFICATIONS TO PGA PROCEDURES

Nashville Gas has suggested two modifications to the Authority's Purchased Gas Adjustment Rules (Rule 1220-4-7-.01 through 1220-4-7-.05). These are: (1) a reduction in the notice period for making PGA changes from 30 to 14 days; and (2) elimination of a formula driven approach to the PGA mechanism.

A. Reduction in the Notice Period from 30 Days to 14 Days. Rule 1220-4-7-.02 currently provides for a 30 day notice of PGAs. This Rule was adopted in a period when wholesale natural gas prices were relatively stable. That is no longer the case. Due to the currently highly volatile nature of wholesale gas markets, the 30 day notice period currently required for PGA filings increases the likelihood that Tennessee LDCs will be incorrect about the actual commodity cost of gas at the time a PGA goes into effect. This, in turn, increases the risk of significant imbalances in the deferred gas cost accounts of LDCs serving Tennessee customers. Significant imbalances in the deferred gas cost accounts are not in the public interest as they represent either over-collected or under-collected gas costs. In order to help mitigate the risk of substantial deferred account imbalances, Nashville Gas proposes that the Commission's PGA Rules be revised in order to reduce the notice period for a PGA change to fourteen (14) days. This shorter notice period will not have any negative impact on the Company's customers and is consistent with the PGA notice periods utilized by the other State public service commissions by which Nashville Gas Company is regulated.

B. Elimination of Formula Approach to PGA. The Authority's current PGA Rules are highly formulaic. Nashville Gas proposes that the formulas be eliminated and that Tennessee LDCs be permitted greater discretion to make PGA changes based upon either anticipated/actual changes in their demand or commodity gas costs or the need to collect/refund amounts in order to reasonably manage the balances in their deferred gas cost accounts. This move away from a formula approach would serve the

same end as the existing rules – allowing the Companies a reasonable mechanism to recover their gas costs – but would permit LDCs more flexibility in managing deferred gas cost accounts in order to avoid large imbalances. This change would provide needed flexibility to react to the volatility in the wholesale gas markets, to compensate for seasonal variations in customer gas usage, and would act to ensure that the balance of deferred gas cost accounts stay as close to zero as reasonably possible.

II. CLARIFICATION OF STAFF ROLE IN CERTAIN INSTANCES

Nashville Gas also suggests that the Authority take steps to clarify the role of its Staff in individual matters that arise before the TRA in which the Staff takes an active role. Taking such steps would assist parties appearing before the Authority to make the correct procedural and substantive assumptions about interacting with the Staff in particular cases and would also ensure that potential resolutions of disputed matters are fully and fairly examined in a transparent process which provides all parties the opportunity to introduce evidence in support of possible resolutions of disputed matters. These steps would ensure that the process before the Authority operates smoothly and efficiently and would prevent any confusion as to whether Staff is acting as advisors or advocates. These steps would also ensure that all proposed resolutions of disputed matters are fully and openly examined before a decision is reached by the Authority.

In Nashville's experience, the TRA Staff sometimes acts in an adversary role in matters brought before the Authority. In that role, Staff often exhibits many of the attributes of a litigant. Nashville Gas understands that Staff implements "Chinese wall" procedures in such instances to ensure that the individuals involved in advocating a particular position do not inadvertently discuss that position with Staff personnel acting in an advisory role to the Authority. In Nashville Gas' view, this role for Staff is proper as is the effort to segregate those Staff members who are acting as advocates from those acting as advisors. Staff also functions purely as advisors to the Authority in many

cases. In this role, Staff does not typically engage in activities associated with an active participant in litigation (such as taking discovery or formulating independent proposed resolutions of disputed matters). Nashville Gas also believes that this role is perfectly proper.

In the past, Nashville Gas has been unclear at times as to which role the Staff is operating under in particular instances and, as such, has not been clear as to what procedural rights were available to the Company with respect to the Staff in those cases. Authority Rule 1220-1-2-.21 provides for Staff participation as a party. As a minor adjustment of that Rule, however, Nashville Gas would ask that a notice requirement be put in place that would provide for the Staff to file and serve a notice that it is participating as a litigant in individual cases and would identify the Staff counsel and individuals acting in this capacity. This would ensure a clear understanding of the Staff's role in individual cases and would prevent inadvertent *ex parte* communications that could result between an active party and Staff based on a misperception of Staff's role in a particular case.

A corollary concern is raised when Staff appears to act in an advisory capacity but is actively engaged in taking discovery and/or makes substantive recommendations to the Authority about the resolution of issues in a disputed case that are different from those presented by the active parties. In such cases, the Staff's activities are not governed by procedural orders applicable to discovery/testimony and the Staff's positions are not disclosed or examined in the hearing process. If the Authority adopts Staff's position in such circumstances, then the first time any party to the proceeding will be aware of the existence of such recommendations is in the Authority's order. This is procedurally awkward because the active parties, who have not had the opportunity to consider and address Staff's recommendations will be faced with a resolution of the case that was likely not addressed in the hearing process. Further, Staff is at somewhat

of a disadvantage in these circumstances because it does not have the opportunity to ensure that the record contains enough evidence to support its proposed resolution. The Authority is at a disadvantage because any objections or proposed refinements to Staff's proposals can only be pursued by a challenge to the legal sufficiency of the Authority's order through reconsideration or an appeal. As a result of these facts, Nashville Gas believes that the transparency and procedural efficiency of a disputed case in which Staff takes an active role but is not declared a litigant is problematic for all interested parties.

We believe that a better approach would be to adopt procedures that would allow the parties to a contested case to address the evidentiary and legal basis of substantive Staff recommendations before they appear in a final order and for the Staff to present evidence to support any solution they may have to a disputed issue in the hearing process. This suggestion is not intended to disrupt the Authority's deliberative privilege with its Staff but instead is intended to improve the adjudicative process in a way that ensures the full, open and fair examination of all possible resolutions to disputed matters and the evidence supporting those resolutions, before the Authority reaches its decision.

In order to implement this solution, Nashville Gas proposes that the Commission's Rules be modified to provide for a notice to be filed in any docket in which Staff intends to actively participate which notifies the TRA and all other parties of the fact that Staff will be participating as a party and the identity of Staff members who will act as a litigant in the proceedings. For clarification, Nashville Gas further proposes that such notice be required in cases where Staff intends to take discovery or to propose an independent resolution of disputed matters (or the consideration of additional issues not in dispute by the active parties). These requirements are consistent with the distinction between active Staff participation in a case as an advocate and more passive assistance to the Authority in deciding who amongst the active litigants has proved their case and/or

suggested the best resolution of any disputed matter. These requirements will also ensure that the resolution of disputed matters before the Authority is accomplished in an open, fair and fully informed process.

WHEREFORE, Nashville Gas Company, a division of Piedmont Natural Gas Company, Inc., respectfully requests that the Authority accept its Notice and Additional Comments on the Authority's rules, policies and procedures as set forth herein.

Respectfully submitted this 1st day of July, 2005.

Nashville Gas Company, a Division
of Piedmont Natural Gas Company,
Inc.


James H. Jeffries IV

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the *Notice of Oral Presentation and Additional Comments of Nashville Gas Company* is being served upon the parties in this action by depositing a copy of the same in the United States Mail, First Class Postage Prepaid addressed as follows:

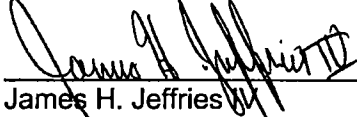
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This the 1st day of July, 2005.



James H. Jeffries